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SUBJECT: Rio Radar - August 21, 2009

¶1. (U) Rio Radar is a weekly compilation of key economic, political, commercial, and other developments in the states of Rio de Janeiro, Bahia, Minas Gerais, Espirito Santo, and Sergipe. This week's subjects:

CLEANING UP THE FAVELAS: ECONOMIC BENEFIT TRUMPS COSTS

¶2. (U) Since May 2009, the Military Police of Rio de Janeiro have systematically established a presence in five of the most violent favelas (shanty towns) within the Rio municipality. Encouraged by successful results thus far, the Rio de Janeiro State Government is considering occupying and maintaining a police presence in all 1,000 favelas within the city limits. According to data provided by the Secretary of Security, these operations would cost the state between 90 million to 340 million BR (48 million to 183 million USD). Yet such activities could increase the city's Gross Domestic Product by 30 percent to 38 billion BR (21 billion USD) through increased commerce and new jobs, according to analysts such as Jose Luiz Alqueres, president of the Commercial Association of Rio and Light.

MILITIA GROUPS MOVE TO THE NORTH OF RIO

¶3. (U) Militia groups, i.e. vigilante anti-narcotrafficker forces often associated with local political leaders and involved in racketeering and piracy, are rapidly moving from the west to the north area of the city (Baixada Fluminense), according to a researcher from NGO Global Justice, Rafael Dias. This migration is due to coordinated action between the Rio de Janeiro Governor, Sergio Cabral, and Rio Mayor Eduardo Paes, to undermine militias' business activities. The plan consists of military police incursions into Rio de Janeiro's most visible favelas and tighter enforcement over public transportation, especially unlicensed mini-vans, which serve as a multi-million dollar source of revenue for militias.

INCREASED INVESTMENT IN RIO PORT AREA, AND...

¶4. (U) Petrobras and the two Brazilian steel companies, Gerdau and CSN, signed an MOU on July 7 to increase investment in the port area of Baia de Sepetiba in Rio de Janeiro state. The three companies expect to invest 3 billion USD in streamlining infrastructure projects. Petrobras, Gerdau and CSN had previously been developing the area separately, but will now work together with the goal of facilitating off shore pre-salt exploration and other initiatives.

...INCREASED FOREIGN DIRECT INVESTMENT

¶5. (U) According to the Rio de Janeiro Federation of Industry, investment in the state of Rio de Janeiro will increase by 126.3 billion BR (68 billion USD), the majority of which will come from foreign investors. The Federation estimates such investment would create 360,000 new jobs throughout the state, which already accounts for 13 percent of the Brazilian Gross Domestic Product. Analysts at the Federation argue that its forecasted increased investment could bring Rio's share of the national economy up to 20 percent.

LACK OF SKILLED LABOR FOR PRE-SALT OIL DEVELOPMENT

16. (U) According to the Mobilization Program of the National Oil and Gas Industry (PROMINP), an estimated 285,000 skilled laborers - from painters to civil engineers - are needed to construct and maintain facilities for exploration and production of pre-salt oil reserves over the next five years. According to the Ministry of Social Development, this lack of skilled labor is a result of the poor curriculum in Brazilian public schools. Rio de Janeiro State is in the most need of skilled labor, with current estimates at 5,920 workers for next year alone. Petrobras and the Ministry of Mines and Energy are now offering free qualification courses in areas such as mechanics and engineering.

RIO BIOFUELS CONFERENCE HAILS BRAZILIAN ENERGY MATRIX

17. (U) In an August 13 conference entitled "Environment Education and the Future of Biofuels in Brazil" speakers hailed Brazil's energy matrix as an "example to the world." The CEO of Petrobras Biofuels pointed out that 80% of global energy consumption is produced from coal, petroleum and derivatives. In Brazil, however, coal constitutes only 6.2 percent of the energy matrix, while renewable energy makes up 46 percent. In response to criticism that biofuels consumption leads to deforestation due to increased sugar cane and soy crops, a representative from the National Petroleum Regulatory Agency (ANP) argued that Brazil uses less than 5 percent of its arable land to produce biofuels. He further stated the 19.6 billions of liters of ethanol consumed in Brazil in 2008 prevented 37.6 million tons of carbon dioxide emissions.

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